



NEWS RELEASE

Michael White Report:

Community Bank Investment Programs Continue to Strengthen in 2nd Quarter

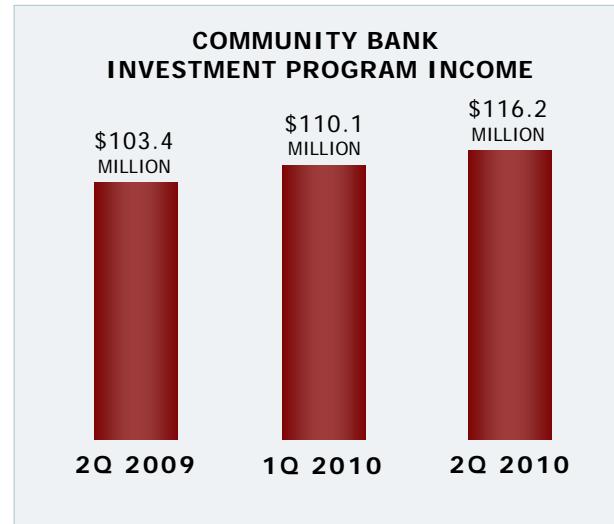
FOR IMMEDIATE RELEASE – Radnor, PA, October 13, 2010 – Community bank investment programs continued to strengthen in the second quarter due to increases in both securities brokerage fee income and annuity commissions, according to the *Michael White Community Bank Investment Programs Report*™.

Issued quarterly by Michael White Associates, LLC (MWA), the report measures and benchmarks investment programs at community banks, i.e., those with assets under \$4 billion. The current report is based on data reported by 7,077 commercial and FDIC-regulated savings banks operating on June 30, 2010.

“Community bank investment programs continue gaining steam in 2010, surpassing year-to-date production in 2009,” said Michael White, president of Michael White Associates and author of the report. “Our findings show improvements in Program Concentration, Penetration, Productivity and Density, key measures by which to gauge investment program strength.”

Program Production

In first half 2010, 1,458 or 21.1% of community banks participated in investment program activities, producing \$226.3 million in program income. Community bank investment program income increased 5.5% from \$110.1 million in the prior quarter (i.e., first quarter 2010) and rose 12.4% from \$103.4 million in second quarter 2009.



SOURCE:
Michael White Community Bank Investment Programs Report™

These community banks achieved average year-to-date investment program fee income of \$155,191 in first half 2010, up 21.2% from \$128,076 in last year’s first half. The number of banks participating in investment program activities was down by 7.2% or 113 banks from 1,571 banks at the end of the second quarter 2009.

Program Penetration

The Penetration of an investment program is measured as the amount of program revenue generated per million dollars of core or retail deposits. These deposits substitute as a measure of retail customers and the breadth of the customer relationship, since the data for retail customers or retail households are hard to obtain on a reliable, national, and standardized basis.

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"In first half 2010, community banks earned mean investment program income of \$462 per million dollars of retail bank deposits," said White. "In contrast, big banks with assets over \$4 billion attained a higher mean Investment Program Penetration of \$679 per million dollars of retail deposits. There is by comparison, then, room for continued improvement and expansion of community bank investment programs."

Program Concentration

Program Concentration calculates the portion of total noninterest income attributable to a specific kind of noninterest fee income. This ratio enables us to know how concentrated or meaningful bank investment programs are among their banks' non-lending activities.

Community banks had a mean Concentration of investment program income to noninterest income 3 points greater than larger banks in first half 2010. As a group, community banks achieved a Concentration ratio of 7.7%. Large banks, those with assets greater than \$4 billion, had a mean Concentration ratio of 4.7%.

YTD Investment Program Income Performance Benchmarks for Community Banks First Half 2010	
Performance Measures	Mean Ratios
Production - Dollar Volume	\$155,191
Concentration - % of Noninterest Income	7.67%
Penetration – \$ per Million Dollars of Retail Deposits	\$462
Productivity - \$ per Bank Employee	\$1,160
Density - \$ per Domestic Office	\$19,610 ¹

¹Adjusted for three outliers

SOURCE: Michael White Community Bank Investment Programs Report™

Program Productivity

Investment Program Productivity measures the amount of program fee income per bank employee. Program Productivity enables us to assess the relative generation of income among bank employees, which are frequently the important human assets in generating customer referrals and the attendant fee income earned from those customer relationships. At the end of second quarter 2010, mean community bank employee Productivity was \$1,160 per bank employee, or \$2,320 per employee when annualized for yearend projection purposes. Mean annualized productivity per employee through the second quarter was down 1.2% from the annualized figure for first quarter.

Program Density

Measured as the amount of program fee income per domestic banking office, Program Density evaluates the relative density of program income among banking locations, the critical physical assets in generating investment program income. Mean density per domestic community bank office was an adjusted \$19,610 (unadjusted, it was \$26,448) in first half 2010. The projected annualized adjusted rate was \$39,220 per banking office for the year.

Revenue Mix – Securities Brokerage

Community banks earned securities brokerage fee income of \$169.0 million, up 24.6% from \$135.6 million in first half 2009. Second quarter brokerage revenues of \$86.5 million were up 4.8% from \$82.6 million in first quarter 2010. Security brokerage revenues constituted 74.4% of total investment program income of \$226.3 million in first half 2010, down from a revenue mix of 75.0% at the end of first quarter, but up from a cumulative mix of 67.4% in first half 2009.

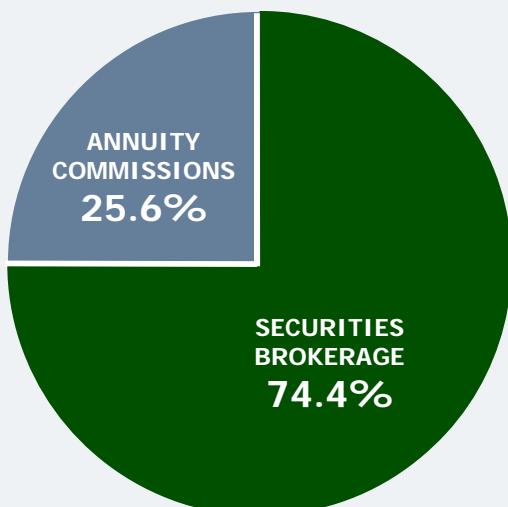
Of the 1,458 banks with assets under \$4 billion that reported earning investment program income, 1,296 banks or 88.9% reported earning commissions and fees from securities brokerage, and 645 banks or 44.2% reported earning securities brokerage fee income only.

Revenue Mix – Annuities

Community banks earned annuity fee income of \$57.2 million, down 12.7% from \$65.6 million in first half 2009. Second quarter annuity revenues of \$29.7 million were up 7.8% from \$27.5 million in first quarter 2010. Annuity commissions constituted 25.6% of community bank investment program income in first half 2010, up from a revenue mix of 25.0% in the first quarter, but down from a cumulative mix of 32.6% in first half 2009. With 16.2% of second quarter program income from annuities, the bigger banks with assets in excess of \$4 billion had a considerably lower mix of annuity commissions in their programs.

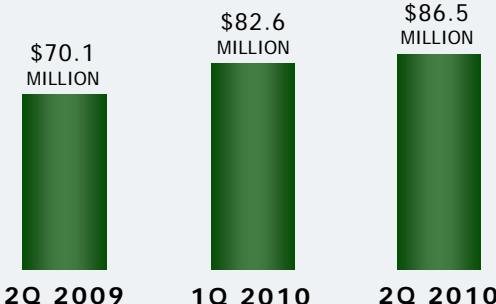
Of the 1,458 community banks that reported earning investment program income, 813 banks or 55.8% reported earning annuity commissions, and 162 banks or 11.1% reported earning annuity income only. This latter finding of 162 banks reporting only annuity income may be indicative of banks that have only platform annuity or licensed bank employee (LBE) programs and not full-product investment programs. The number of community banks reporting only annuity income dropped 5.8% from 172 banks in first half 2009.

INVESTMENT PROGRAM REVENUE MIX YTD FIRST HALF 2010 BANKS WITH LESS THAN \$4B IN ASSETS



SOURCE:
Michael White Community Bank Investment Programs Report™

SECURITIES BROKERAGE INCOME



ANNUITY COMMISSIONS



SOURCE:
Michael White Community Bank Investment Programs Report™

SOURCE:
Michael White Community Bank Investment Programs Report™

First-half 2010 leaders in annuity fee income among community banks under \$4 billion in assets were Bank of Hampton Roads (VA) with \$2.27 million, down 0.9% from \$2.29 million in first half 2009; GreenBank (TN) with \$963,000, up 39.8% from \$689,000; First Victoria National Bank (TX) with \$919,000, down 7.6% from \$994,000; Marquette Bank (IL) with \$775,000, up 141.4% from \$321,000; and The Home Savings and Loan Company (OH) with \$753,000, up 20.9% from \$623,000 in first half 2009.

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About Michael White Associates

Michael White Associates, LLC (MWA) is a consulting, publishing and research firm headquartered in Radnor, PA, and online at www.BankInsurance.com. Produced by Michael White and Michael White Associates, LLC (MWA), the *Michael White Community Bank Investment Programs Report*TM measures and benchmarks the quarterly and year-to-date performance of community banks' retail investment programs. The annual *Michael White-ABIA Bank Annuity Fee Income Report*TM and *Michael White-Prudential Bank Insurance Fee Income Report*TM provide, respectively, comprehensive analyses of bank annuity commission income and bank insurance brokerage. Additionally, the *MWA Fee Income Ratings Reports*TM compare, rank and rate a particular financial institution's insurance or other noninterest fee income program nationally, regionally, statewide and in its asset-peer group. Copies of MWA reports can be ordered by calling (610) 254-0440, or by visiting www.BankInsurance.com.

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